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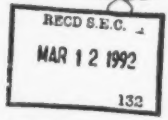
FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549



/X/ Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended January 31, 1992

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934

For the Transition period from _____ to _____

PROCESSED BY
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[redacted]

COMMISSION FILE NUMBER 0-1928

Wellington Hall, Limit
(Exact name of Registrant as specifie

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North Carolina	56-0815012
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Route 1, U.S. Highway 29 and 70, Lexington, N.C. 27292
(Address of principal executive offices)

(704) 249-4931
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _____

Indicate the number of shares outstanding of each of insurer's classes of common stock, as of the latest practicable date.

CLASS	Number of Shares	Date
Common Stock	1,681,137	January 31, 1992

EXHIBIT INDEX [NONE -- No Exhibits Filed]

WELLINGTON HALL, LIMITED AND SUBSIDIARIES

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Item 1 - Financial Statements

WELLINGTON HALL, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	QUARTER ENDED JANUARY 31, 1992	YEAR ENDED APRIL 30,1991
Current Assets:		
Cash on Hand	$ 300	$ 300
Cash in Demand Deposits	44,872	10,998
Accounts Receivable-Trade	757,176	950,014
(Less, Allowance for Doubtful Accounts)	(31,555)	(28,759)
Note Receivable-Officer	104,000	-
Inventories	4,167,566	3,665,075
Prepaid Expenses	115,319	166,088
	5,157,679	4,763,716
Property, Plant and Equipment:		
Cost	2,530,444	2,506,512
Less Accumulated Depreciation	(786,887)	(678,762)
	1,743,577	1,827,750
Other Assets	84,180	82,485
	$ 6,985,436	$ 6,673,951
LIABILITIES		
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 389,629	$ 265,754
Notes Payable,banks	1,308,051	1,164,230
Accounts Payable	609,304	457,236
Customer Deposits	67,526	29,046
Other Current Liabilities	246,475	199,618
	2,621,005	2,106,092
Noncurrent Liabilities:		
Long-Term Debt, less Current Maturities	1,475,111	1,686,140
Deferred Compensation Accrual	114,000	96,000
	1,589,111	1,782,140
STOCKHOLDERS' EQUITY		
Common Stock; Authorized 6,000,000 Shares; no par; Stated Value- 04; Shares Issued and Outstanding 1992 (1,681,137) and 1991 (1,501,137)	6,724,549	6,004,549
Amount less than stated value paid in for common stock (common stock discounts)	(3,677,018)	(3,101,018)
	3,047,531	2,903,531
Preferred stock; authorized stock 5,000,000 shares 05 par; no shares issued and outstanding	-	-
Cumulative translation adjustments	(751,827)	(730,735)
Retained Earnings	479,616	612,123
Total Stockholders' Equity	2,775,320	2,784,919
	$ 6,985,436	$ 6,673,951

WELLINGTON HALL LIMITED, AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended January 31		Nine Months Ended January 31	
	1992	1991	1992	1991
Revenues:				
Sale of furniture	$ 1,438,592	$ 1,447,376	$ 4,494,107	$ 4,316,146
Other income(expense)	1,421	42,205	7,881	61,356
	1,440,013	1,489,581	4,501,988	4,377,502
Costs and expenses:				
Cost of furniture sold	1,004,398	1,028,584	3,318,044	3,136,639
Other operating, selling, general and administrative expenses	333,075	334,639	1,012,949	995,683
	1,337,473	1,363,223	4,330,993	4,132,322
Income(loss) from operations	82,540	126,358	170,995	225,180
Other deductions:				
Interest expense-Short term	45,187	22,310	127,790	59,583
Interest expense-Long term	52,789	55,011	162,612	151,124
	97,976	77,321	290,402	210,707
Income (loss) before income taxes	(15,436)	49,037	(119,407)	14,473
Income taxes	4,900	(185)	13,100	3,608
Net income(loss)	$ (20,336)	$ 49,222	$ (132,507)	$ 10,865
Earnings (loss) per share of common stock:				
Primary and assuming full dilution:				
Net income(loss) per common share	$ (.01)	$ .03	$ (.08)	$ .01
Average shares of common stock outstanding	1,501,137	1,501,137	1,501,137	1,501,137
Fully diluted	1,626,662	1,627,610	1,620,199	1,627,610

Notes to consolidated financial statements are an integral part hereof.

WELLINGTON HALL, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended January 31	
	1992	1991
Cash flows from operating activities:		
Net income(loss)	$ (132,507)	$ 10,865
Noncash expenses(income) included in net income:		
Depreciation	110,112	163,301
Increase in deferred compensation	18,000	18,000
Increase(decrease) in deferred income taxes		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	90,766	(302,509)
(Increase)decrease in inventories	(515,619)	(303,689)
(Increase)decrease in prepaid expenses	50,651	(61,188)
(Increase)decrease in other assets	(1,995)	(2,092)
Increase(decrease) in accounts payable, customer deposits and other current liabilities	248,699	1,707
Net cash (used for)provided by operating activities	(131,893)	(475,605)
Cash flows from investing activities:		
Purchase of property and equipment	(42,015)	(415,265)
Cash flows from financing activities:		
Proceeds from Capital Stock Issue	144,000	-
Proceeds from long-term borrowings	-	586,750
Proceeds from short-term borrowings	1,619,838	1,330,204
Payments on long-term debt	(87,134)	(73,128)
Payments on short-term debt	(1,274,133)	(883,917)
Net cash provided by financing activities	402,571	961,909
Effect of exchange rate changes on cash	3,212	(59,409)
Net increase(decrease) in cash	33,875	11,630
Cash, beginning of periods	11,298	10,554
Cash, end of periods	$ 45,173	$ 22,184
Cash paid during the periods for:		
Income taxes	$ 17,281	$ 39,731
Interest	$ 299,113	$ 210,729

Notes to consolidated financial statements are an integral part hereof.

ITEM I. CONTINUED

WELLINGTON HALL, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company for the interim period presented.

2. The results of operation for the nine-month period ended January 31, 1992 and January 31, 1991, are not necessarily indicative of the results to be expected for the full year.

3. Promotional expenses are charged in as incurred.

4. The Company takes a physical inventory at the end of the second quarter (October 31) and at year-end (April 30). At the end of each month and at the end of the first quarter (July 31) and the third quarter (January 31), inventories are adjusted to purchases, production and shipments.

5. The financial statements of the Company's foreign subsidiary , Muebles Wellington Hall, S.A., have been translated into U.S. dollars in accordance with FASB Statement No. 52. All balance sheet accounts have been translated using the current ("spot") exchange rates at the balance sheet date (5.6 Lempiras to 1 U.S. Dollar). Income statement amounts have been translated using the weighted average exchange rate for the period (5.34 Lempiras to 1 U.S. Dollar). The gains and losses resulting from the change in exchange rates during the quarter have been reported separately as a component of stockholders' equity entitled "Cumulative Translation Adjustments". Net currency transaction gains or losses which occur during the quarter are included in net earnings.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company's working capital at the beginning of the current fiscal year was $2,656,824 while the ratio of current assets to current liabilities was 2.3 to 1. At the end of the third quarter of the fiscal year, working capital decreased by $120,150 to $2,536,674, while the ratio of current assets to current liabilities was lowered to 2.0 to 1. Although total current assets have increased by $393,963 to $5,157,679, total current liabilities increased by a larger amount, $514,113 to $2,621,005. During the second quarter, the Company's Honduran subsidiary, Muebles Wellington Hall, SA(MWH), increased bank borrowings to finance certain capital expenditures and higher inventories needed to meet increased production levels and to relieve the strain on the parent company to provide working capital for foreign operations. In addition, current maturities of long-term debt increased approximately $124,000 because of the second scheduled semi-annual payment due each October 31, on the loan with the Overseas Private Investment Corporation (OPIC). Accounts payable have increased as a result of the increased purchases of manufacturing supplies by the subsidiary, Wellington Hall Caribbean Corporation(WHCC), for subsequent shipment to the Honduran subsidiary for use in its production line. The parent Company has also slowed its payments to vendors because of the poor cash flow from operations resulting in a higher payable level.

Accounts receivable decreased by $195,624 or 21.2% and the turnover rate decreased to 44 days as compared to 63 days at the end of fiscal year 1991. This decrease is the result of the collection of several older, larger accounts and continued efforts to improve collections. Receivables are sound and collectible and the reserve for doubtful accounts is adequate to cover potential losses.

Inventories increased by approximately $502,000 or 13.7% over that reported at fiscal year end. The entire increase can be attributed to foreign operations with its production of a proprietary line of bedroom furniture beginning in July, 1991 and complimentary dining room furniture which began shipping in late February,1992. Additionally, wood inventories are higher during this time of year due to the seasonality of log production in Honduras. The period, December to March, is the time when natural reseeding occurs and no harvesting is allowed. This makes it necessary to build up a larger supply of wood than normal to prevent lumber shortages during this period. Domestic inventory levels dropped by approximately $197,000 from fiscal year-end figures, the result of curtailed purchasing and production brought on by the recession that plagues the

economy.

The Company's outlay for capital improvements, all expended on the Company's Honduran facilities, was approximately $42,500. Plans for further expansion or capital improvement, both foreign and domestic, have been essentially suspended due to the current recession.

The Company plans to meet its interim cash requirements through cash flow from operations and use of both domestic and foreign lines of credit. At January 31, 1992 the Company had approximately $225,000 available from Lexington State Bank (LSB), its domestic bank. The foreign subsidiary had available approximately $44,400 from its primary foreign bank lender, Bank of Honduras, a subsidiary of Citibank and approximately $130,000 from its secondary foreign bank lender, Banchasa, at January 31, 1992. The foreign bank lines although available are not desirable as they are required to be paid down on an on-going basis and the funding is burdensome. On April 30, 1992, WHCC is scheduled to begin repayment of the debt with OPIC, the first installment being $123,875. Management believes cash flow from operations will be inadequate to meet this year-end need. Also, additional borrowings on the lines of credit will only delay the problem another six months til the next semi-annual payment is due. Given these facts, management has asked OPIC to extend the grace period for nonpayment of principal for an additional year to April 30, 1993. OPIC has not had time to respond to this request at the time of this filing. In addition, management has approached LSB about restructuring the debt load by moving a portion of short-term debt to long-term debt while maintaining the credit line limit at its present level and with a grace period on the repayment of long-term debt. A third action being pursued is converting the MWH notes payable to foreign banks to long-term debt. This would be accomplished by obtaining a long-term loan from the Latin American Agribusiness Development Corporation(LAAD) and using the proceeds to pay off the foreign lines of credit. LAAD is an organization specializing in the financing of projects in underdeveloped countries and has agreed to meet with Company management as regards our operation in Honduras. If the loan is approved, MWH's interest expense would be cut almost in half and a two year grace period on the repayment of the loan will be included. Management believes these actions are needed and would greatly ease the cash flow burden for the better part of nine months giving the economy time to recover and the Company time to build up adequate working capital without an increase to the total debt load.

The Company's notes payable increased approximately $144,000 as a result of additional borrowings by MWH to finance the increased inventory levels associated with a manufacturing operation and new product lines,and for other working capital purposes. The bank borrowings of MWH have

increased by $230,000, while the parent company paid down on its line of credit approximately $86,000.

Accounts payable and other current liabilities are up approximately $246,000. This increase is due primarily to significant raw material purchases by Wellington Hall Caribbean Corporation (WHCC) in the U.S.A., with subsequent export of these raw materials to the Honduran facilities for use in the production of the line of bedroom and dining room furniture. In addition, payments to vendors have slowed somewhat due to the poor cash flow from operations resulting in a higher liability balance.

The Company's long-term debt plus current maturities decreased approximately $87,154 as a result of payments against the indebtedness during the nine months.

On January 30, 1992, Hoyt Hackney, President and Chief Executive Officer, exercised options and awards for 180,000 shares of common stock at the option price of $.80 per share resulting in a net increase in common stock of $144,000. This increase was accomplished by cash of $40,000 being paid over to the Company along with the issuance of a demand note to the Company by Hoyt Hackney of $104,000. The note receivable-officer is collaterialized by the assignment of the interest the officer has in the Company's deferred compensation accrual account.

Three and Nine Months Ended January 31, 1992 Compared to Three and Nine Months Ended January 31, 1991.

Consolidated net sales for the third quarter decreased approximately $9,000 to $1,438,592, a decrease of .6%, while sales for the nine-month period increased approximately $178,000 or 4.1%. Domestic sales by the parent company for the third quarter of fiscal 1992 were approximately $1,032,000, a decrease of approximately $205,000 or 16.5% over the corresponding quarter in fiscal 1991. Domestic sales for the current nine months were approximately $3,509,000, a decrease of approximately $400,000 or 10.2% from the previous nine-month period of fiscal 1991, a year when the recession was already in full swing. Given the low rate of incoming orders, management had no choice but to curtail production by shutting down the plant on occasion and by cutting back planned work week hours. On the other hand, subsidiary sales for the nine months ended January 31, 1992 by WHCC and M&H, after elimination of intercompany sales, were approximately $985,000, an increase of approximately $578,000 over the same prior nine-month period. Incoming orders for domestic production during the third quarter and nine-month period were $1,254,000 and $3,768,000 respectively compared to $1,029,000 and $3,394,000 realized the previous year. The orders received during the third quarter are well

below the required level necessary to maintain profitable production and sales. One bright spot, aggressive promoting of our product resulted in sales orders during January and February, 1992 of approximately $511,000 and $454,000, respectively. It is too early to tell if this marks a turnaround in the economy but the improved rate of incoming orders is encouraging. The backlog of orders for the Company's domestic product at January 31, 1992 increased approximately 4.3% from the previous quarter. Compared to the previous fiscal year's third quarter, the backlog of domestic orders of $1,247,000 at January 31, 1992 dropped approximately $27,000 or 2%. This backlog without a significant increase in the rate of incoming orders is not adequate to allow profitable operations. Subsidiary sales orders, net of intercompany requirements, amounted to approximately $348,000 and $1,086,000 for the third quarter and nine months ended January 31, 1992, respectively. This $1,086,000 represents an increase of approximately $453,000 or 72% over the prior corresponding nine-month period. The backlog of orders for WHCC and MWH, excluding intercompany orders, at January 31, 1992 was approximately $730,000, an increase of approximately $372,000 over the January 31, 1991 backlog. This backlog of $730,000 is approximately $60,000 higher than the backlog at fiscal year end levels. The line of bedroom furniture made in Honduras has been well received. This line along with a complimentary line of dining room furniture to be produced by the Honduran facilities will have a significant impact on profits during fiscal 1992.

Cost of sales increased approximately $161,000 or 5.1% during the nine months compared to the first nine months of fiscal 1991. Domestic production has fallen by approximately $661,000 or 16% over the same prior nine-month period. Although direct labor and overhead expenses of the parent company are down on a comparative basis, they are not down sufficiently to offset the drop in production. Layoffs, work stoppages, reduced work weeks will necessarily intensify unless some solution is found to the economic recession in the U.S.A.

Selling, general and administrative expenses were down by approximately $2,000 or .5% and up approximately $17,000 or 1.7% respectively, for the three-month and nine-month periods. The increases directly relate to the increased expenses of WHCC which shows a significant rise in sales commissions due to its line of Honduran produced bedroom furniture and shows a formula based bonus accrual on profits attributed to the subsidiary. The parent company's expenses have been held in check primarily through personnel reductions.

Interest expense for the nine-month period increased by approximately $80,000 or 38% due to increased borrowings, both long-term, through Overseas Private Investment

Corporation (OPIC), and short-term, through the lines of credit. Proceeds were used to finance working capital needs and the capital expenditure program for the Honduran facilities.

The operating loss of approximately $119,000 for the current nine months compares unfavorably to the operating income of approximately $14,000 for the corresponding nine months of the previous fiscal year. Profitable operations of the subsidiaries are not enough to offset the nine-month loss of the domestic parent of approximately $402,000. Only an economic recovery in the U.S. furniture market will return the domestic operations to a profitable status.

State income taxes of $13,100 have been provided for on the books of WHCC which shows a profit for the nine months. The subsidiary, WHCC, files a consolidated federal return with its parent company, thus no federal income tax is provided for on the nine-month consolidated loss.

The net loss for the first nine months of fiscal 1992 of approximately $133,000 as opposed to the net income of approximately $11,000 for the corresponding period of fiscal 1991, indicates no let up in the recession griping the U.S. economy. Management can only hope for a turnaround in 1992, while coping with the existing situation.

PART II

Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits filed: None

(b) Reports on Form 8-K filed during the quarter ended January 31, 1992: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WELLINGTON HALL, LIMITED
(Registrant)

DATE 3/10/92

By: _____
Hoyt H. Hackney, Jr., President and
Chief Executive Officer

DATE 3/10/92

By: Jeff P. Lookabill
Jeff P. Lookabill
Controller (Chief Accounting Officer)